

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name BEAR CREEK TOWNSHIP	County EMMET
Fiscal Year End MARCH 31, 2006	Opinion Date JULY 26, 2006	Date Audit Report Submitted to State SEPTEMBER 10, 2006	

We affirm that:

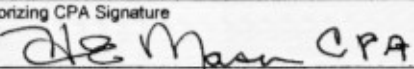
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MASON & KAMMERMANN, PC		Telephone Number 1-231-547-4911	
Street Address 110 PARK AVENUE		City CHARLEVOIX	State MI
		Zip 48720	
Authorizing CPA Signature 	Printed Name Hugh E Mason, CPA		License Number 1101008161

BEAR CREEK TOWNSHIP  
EMMET COUNTY, MICHIGAN

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FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
for the year ended March 31, 2006

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
CHARLEVOIX, MICHIGAN

# **Bear Creek Township**

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# **Bear Creek Township**

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MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 26, 2006

Members of the Township Board  
Bear Creek Township  
Petoskey, Michigan

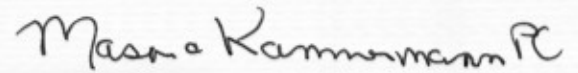
We have audited the accompanying financial statements of the governmental activities and the major fund of Bear Creek Township of Petoskey, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Bear Creek Township as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mason & Kammermann, P.C.  
Certified Public Accountants

# **Bear Creek Township**

## **Management's Discussion & Analysis July 26, 2005**

This section of Bear Creek Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2006.

### **Financial Highlights**

- At the end of the fiscal year, the Township had a \$77,688 increase in net assets for governmental activities.
- The Township's Sewer Fund net assets increased by \$456,794.
- The Township's Building Inspection Fund had an increase of \$123,245 in its fund balance.

### **Overview of the Financial Statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are formatted to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Bear Creek Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Bear Creek Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Bear Creek Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the accrual basis of accounting.

# **Bear Creek Township**

## **Management's Discussion & Analysis July 26, 2005**

### **Fund Financial Statements**

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Bear Creek Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Bear Creek Township uses three categories of funds, which are governmental, proprietary and fiduciary funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Bear Creek Township maintains three major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund and Building Inspection Fund, which are considered to be major funds. The Liquor Fund and Light District Fund are considered nonmajor funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with these budgets.

### **Proprietary Funds**

Proprietary funds are used to account for the services provided by the Township where the Township charges customers (whether external or internal) for the services it provides. These funds use accrual accounting. The Township maintains one enterprise fund that is used to report the sewer operations and maintenance. It is reported as a business-type activity in the government-wide financial statements.



# **Bear Creek Township**

## **Management's Discussion & Analysis July 26, 2005**

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like proprietary funds.

### **Financial Analysis of the Township as a Whole**

The table below shows, in a condensed format, the Township's net assets as of March 31, 2006:

<b>Net Assets March 31, 2006</b>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
<b>Current Assets</b>	\$ 2,446,772	\$ 1,069,921	\$ 3,516,693
<b>Noncurrent Assets</b>			
Capital Assets, net	2,280,238	-	2,280,238
Investment in Joint Venture	-	758,636	758,636
<b>Total Assets</b>	<b>4,727,010</b>	<b>1,828,557</b>	<b>6,555,567</b>
<b><u>Liabilities and Net Assets</u></b>			
<b>Current Liabilities</b>	<u>12,743</u>	<u>10,547</u>	<u>23,290</u>
<b>Net Assets</b>			
Invested in Capital Assets, net	2,280,238	-	2,280,238
Restricted	829,247	-	829,247
Unrestricted	<u>1,604,782</u>	<u>1,818,010</u>	<u>3,422,792</u>
<b>Total Net Assets</b>	<b><u>\$ 4,714,267</u></b>	<b><u>\$ 1,818,010</u></b>	<b><u>\$ 6,532,277</u></b>

The total governmental net assets are \$6,532,277 for the Township. Net assets totaling \$829,247 are restricted for public safety activities. The township has \$1,604,782 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

# **Bear Creek Township**

## **Management's Discussion & Analysis July 26, 2005**

The following table shows how activities affected changes in net assets during the fiscal year.

### **Changes in Net Assets For the Year Ended March 31, 2006**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Revenues:</b>			
Program Revenues			
Charges for Services	\$ 311,922	\$ 1,274,794	\$ 1,586,716
General Revenues:			
Property Taxes	790,015	-	790,015
Administrative Fees	100,813	-	100,813
State Shared Revenues	363,743	-	363,743
Contributions from Townships	59,315	-	59,315
Interest	61,975	12,974	74,949
Refunds	2,949	-	2,949
Other	14,769	-	14,769
<b>Total Revenues</b>	<b>1,705,501</b>	<b>1,287,768</b>	<b>2,993,269</b>
<b>Expenses:</b>			
Legislative	295,662	-	295,662
General Government	258,408	-	258,408
Community & Economic Development	34,245	-	34,245
Public Safety	471,484	-	471,484
Public Works	516,150	830,974	1,347,124
Recreation and Cultural	51,864	-	51,864
<b>Total Expenses</b>	<b>1,627,813</b>	<b>830,974</b>	<b>2,458,787</b>
<b>Change in net assets</b>	<b>\$ 77,688</b>	<b>\$ 456,794</b>	<b>\$ 534,482</b>

### **Revenue sources and changes**

Total revenue from all sources totaled \$2,993,269, of which \$1,705,501 was from governmental activities and \$1,287,768 was from business-type activities. Revenue from governmental activities consists primarily of \$790,015 (46.32%) from property taxes, \$363,743 (21.33%) from state revenue sharing, \$311,922 (18.29%) from charges for services and \$100,813 (5.91%) from administrative fees. The millage rate for general operations was 1.9800 and .4950 for the fire department.

# **Bear Creek Township**

## **Management's Discussion & Analysis July 26, 2005**

### **Expenses**

Using the full accrual basis of accounting, the Township spent \$1,627,813 on governmental activities. This equates to 18.16% on legislative activities, 15.87% on general government, 28.96% on public safety, 31.71% on public works, 3.19% on culture and recreation and 2.11% on community and economic development.

### **Business-type Activity Highlights**

Business-type activities show an increase in net assets of \$456,794 on revenues of \$1,287,768. The largest source of revenue was from charges for services, which represents about 99% of revenues for business-type activities.

### **Financial Analysis of the Township's Funds**

At March 31, 2006, the Township's governmental funds reported combined cash of \$1,653,342, which is approximately \$144,770 more than last year.

Revenues in the General Fund were exceeded by expenditures by \$15,451, which was due to revenues not reaching anticipated amounts.

The Fire Fund had a \$28,084 decrease in its fund balance this year. This was due to the investment in capital outlay being more than anticipated in the budgeted amount.

The Building Inspection Fund increased by \$123,245, due to more charges for licenses and permits than expected.

The Liquor Control Fund had an increase of \$4,968, due to expenses being less than anticipated in the budgeted amount.

The Light District Fund increased its fund balance by \$1,543, due to collecting more property taxes than expected.

### **Capital Assets**

At fiscal year ended March 31, 2006, the Township has \$2,280,238 in capital assets, net of accumulated depreciation. During the year the Township invested \$23,598 in building improvements, \$4,610 in equipment and \$92,649 in fire equipment.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and land improvements, buildings and improvements, equipment, furniture and fire equipment. The Township uses straight-line depreciation for all depreciable assets.

# **Bear Creek Township**

## **Management's Discussion & Analysis July 26, 2005**

### **Long-Term Debt**

The Township had no outstanding long-term debt for governmental activities as of March 31, 2006.

### **Known Factors Affecting Future Operations**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means possible reductions in state shared revenues for future years.

### **Requests for Information**

This financial report is designed to provide a general overview of Bear Creek Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Bear Creek Township, 373 N. Division Rd., Petoskey, MI 49770

# Bear Creek Township

## Statement of Net Assets March 31, 2006

	Governmental Activities	Business-Type Activities	Total	Component Unit
<b><u>Assets</u></b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 2,363,698	\$ 805,869	\$ 3,169,567	\$ 36,800
Taxes Receivable	65,669	7,268	72,937	-
Accounts Receivable	8,121	256,784	264,905	34,414
Due From Other Governmental Units	-	-	-	46,630
Due From Other Funds	9,284	-	9,284	-
Total Current Assets	2,446,772	1,069,921	3,516,693	117,844
<b>Noncurrent Assets</b>				
Capital Assets	3,380,965	-	3,380,965	9,024,477
Less: Accumulated Depreciation	(1,100,727)	-	(1,100,727)	(4,692,762)
Investment in Joint Venture	-	758,636	758,636	-
Restricted and Designated Assets:				
Restricted Assets, debt retirement	-	-	-	1,567,980
Designated assets, repair/replacement	-	-	-	115,853
Other Assets, unamortized bond expenses	-	-	-	14,847
Total Noncurrent Assets	2,280,238	758,636	3,038,874	6,030,395
Total Assets	4,727,010	1,828,557	6,555,567	6,148,239
<b><u>Liabilities and Net Assets</u></b>				
<b>Current Liabilities</b>				
Accounts Payable	10,655	-	10,655	53,770
Due to Other Governmental Units	2,088	10,547	12,635	103,377
Current Portion of Long-term Debt	-	-	-	65,000
Liabilities Payable from restricted assets	-	-	-	15,717
Total Current Liabilities	12,743	10,547	23,290	237,864
<b>Long-term Liabilities</b>				
Long-term debt, net of current portion	-	-	-	225,000
Due to Other Governmental Units, net of current portion	-	-	-	1,222,900
Total Long-term Liabilities	-	-	-	1,447,900
Total Liabilities	12,743	10,547	23,290	1,685,764
<b>Net Assets</b>				
Invested in Capital Assets, net	2,280,238	-	2,280,238	4,331,715
Restricted	829,247	-	829,247	-
Unrestricted	1,604,782	1,818,010	3,422,792	130,760
Total Net Assets	\$ 4,714,267	\$ 1,818,010	\$ 6,532,277	\$ 4,462,475

The accompanying notes are a part of the financial statements.

# Bear Creek Township

## Statement of Activities For The Year Ended March 31, 2006

	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Governmental Activities:								
Legislative	\$ 284,926	\$ -	\$ -	\$ -	\$ (284,926)	\$ -	\$ (284,926)	\$ -
General Government	258,408	-	-	-	(258,408)	-	(258,408)	-
Community & Econ Develop.	34,245	-	-	-	(34,245)	-	(34,245)	-
Public Safety	482,220	311,922	-	-	(170,298)	-	(170,298)	-
Public Works	516,150	-	-	-	(516,150)	-	(516,150)	-
Recreation and Cultural	51,864	-	-	-	(51,864)	-	(51,864)	-
							-	
Total Government Activities	1,627,813	311,922	-	-	(1,315,891)	-	(1,315,891)	-
Business-type Activities								
Sewer	830,974	1,274,794	-	-	-	443,820	443,820	-
Total Primary Government	2,458,787	1,586,716	-	-	(1,315,891)	443,820	(872,071)	-
Component Units:								
Sewage Disposal Authority	\$ 873,896	\$ 562,174	\$ -	\$ -	-	-	-	(311,722)
General Revenues:								
Property Taxes					790,015	-	790,015	-
Administrative Fees					100,813	-	100,813	-
State Shared revenues					363,743	-	363,743	-
Contributions from Townships					59,315	-	59,315	-
Interest					61,975	12,974	74,949	4,141
Refunds					2,949	-	2,949	-
Other					14,769	-	14,769	57,153
Total General Revenues					1,393,579	12,974	1,406,553	61,294
Change in Net Assets					77,688	456,794	534,482	(250,428)
Net Assets - April 1, 2005					4,636,579	1,361,216	5,997,795	4,712,903
Net Assets - March 31, 2006					\$ 4,714,267	\$ 1,818,010	\$ 6,532,277	\$ 4,462,475

The accompanying notes are a part of the financial statements.

# Bear Creek Township

## Governmental Funds Balance Sheet March 31, 2006

<u>Assets</u>	<u>General</u>	<u>Fire</u>	<u>Building Inspector</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,746,349	\$ 228,654	\$ 277,613	\$ 111,082	\$ 2,363,698
Due From Other Funds	9,284	-	-	-	9,284
Accounts Receivable	-	8,121	-	-	8,121
Taxes Receivable	51,105	13,880	-	684	65,669
Total Assets	<u>\$ 1,806,738</u>	<u>\$ 250,655</u>	<u>\$ 277,613</u>	<u>\$ 111,766</u>	<u>\$ 2,446,772</u>
 <u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts Payable	\$ 4,868	\$ 4,954	\$ 357	\$ 476	\$ 10,655
Due to Other Governmental Units	2,088	-	-	-	2,088
Total Liabilities	6,956	4,954	357	476	12,743
Fund Equity:					-
Fund Balance - Undesignated	1,604,782	-	-	-	1,604,782
Fund Balance - Designated	195,000	245,701	277,256	111,290	829,247
Total Fund Balance	<u>1,799,782</u>	<u>245,701</u>	<u>277,256</u>	<u>111,290</u>	<u>2,434,029</u>
Total Liabilities & Fund Equity	<u>\$ 1,806,738</u>	<u>\$ 250,655</u>	<u>\$ 277,613</u>	<u>\$ 111,766</u>	<u>\$ 2,446,772</u>

The accompanying notes are a part of the financial statements.

# **Bear Creek Township**

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## **Governmental Funds Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2006**

Total Fund Balances - Governmental Funds	\$ 2,434,029
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet

Cost of capital assets	3,380,965
Accumulated depreciation	<u>(1,100,727)</u>
Total Net Assets - Governmental Activities	<u>\$ 4,714,267</u>

The accompanying notes are a part of the financial statements.



# Bear Creek Township

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2006

	<u>General</u>	<u>Fire Fund</u>	<u>Building Inspection Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Taxes	\$ 628,759	\$ 153,837	\$ -	\$ 7,001	\$ 789,597
Administration Fees	100,813	-	-	-	100,813
Other Tax Collections	418	-	-	-	418
Contributions from Townships	-	59,315	-	-	59,315
State Revenue	363,743	-	-	-	363,743
Licenses & Fees	-	-	306,319	5,603	311,922
Refunds	2,949	-	-	-	2,949
Interest	59,888	364	695	1,028	61,975
Other	4,811	9,958	-	-	14,769
	<u>1,161,381</u>	<u>223,474</u>	<u>307,014</u>	<u>13,632</u>	<u>1,705,501</u>
Total Revenues					
<b>Expenditures:</b>					
Current:					
Legislative	271,440	-	13,486	-	284,926
General Government	214,643	-	12,693	-	227,336
Community & Economic Development	34,245	-	-	-	34,245
Public Safety	2,833	216,358	157,590	7,121	383,902
Public Works	516,150	-	-	-	516,150
Recreation and Cultural	51,864	-	-	-	51,864
Capital Outlay	85,657	35,200	-	-	120,857
	<u>1,176,832</u>	<u>251,558</u>	<u>183,769</u>	<u>7,121</u>	<u>1,619,280</u>
Total Expenditures					
<b>Net Change in Fund Balance</b>	(15,451)	(28,084)	123,245	6,511	86,221
<b>Fund Balances - April 1, 2005</b>	<u>1,815,233</u>	<u>273,785</u>	<u>154,011</u>	<u>104,779</u>	<u>2,347,808</u>
<b>Fund Balances - March 31, 2006</b>	<u>\$ 1,799,782</u>	<u>\$ 245,701</u>	<u>\$ 277,256</u>	<u>\$ 111,290</u>	<u>\$ 2,434,029</u>

The accompanying notes are a part of the financial statements.

# **Bear Creek Township**

## **Governmental Funds Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended March 31, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$ 86,221
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	120,857
Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	<u>(129,390)</u>
Changes in Net Assets - Governmental Activities	<u><u>\$ 77,688</u></u>

The accompanying notes are a part of the financial statements.

# Bear Creek Township

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## Proprietary Fund Statement of Net Assets March 31, 2006

<u>Assets</u>	<u>Sewer</u>
Current Assets	
Cash and Cash Equivalents	\$ 170,364
Money Market Savings	635,505
Accounts Receivable	256,784
Taxes Receivable	<u>7,268</u>
Total Current Assets	<u>1,069,921</u>
Noncurrent Assets	
Investment in Joint Venture	<u>758,636</u>
Total Assets	<u>1,828,557</u>
 <u>Liabilities and Fund Equity</u>	
Liabilities:	
Due to Other Governmental Units	<u>10,547</u>
Net Assets	
Fund Balance - Undesignated	<u>1,818,010</u>
Total Net Assets	<u><u>\$ 1,818,010</u></u>

The accompanying notes are a part of the financial statements.

# **Bear Creek Township**

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## **Proprietary Fund Statement of Revenues, Expenditures and Changes in Fund Balance For The Year Ended March 31, 2006**

	<u>Sewer</u>
<b>Operating Revenues:</b>	
Service Income	\$ 932,158
Tap-in fees	<u>342,636</u>
Total Revenues	\$ 1,274,794
<b>Cost of Goods Sold</b>	
Contracted Services	151,626
Treatment Expenses	<u>190,737</u>
Total Cost of Goods Sold	<u>342,363</u>
Gross Profit	932,431
<b>Operating Expenses</b>	
Service Charges	158
Professional Services	57,156
Administrative Expenses	931
Reserve for Repair and Replacement Contributions	34,176
Meter Expenses	3,417
Office Expenses	325
Sewer Board Expenses	<u>4,621</u>
Total Expenditures	<u>100,784</u>
Operating Income	831,647
<b>Nonoperating Revenue (Expenses)</b>	
Interest Income	12,974
Debt Service	(149,920)
Net Loss from Joint Venture	<u>(237,907)</u>
Total nonoperating revenues (expenses)	<u>(374,853)</u>
<b>Net Change in Fund Balance</b>	456,794
<b>Fund Balances - April 1, 2005</b>	<u>1,361,216</u>
<b>Fund Balances - March 31, 2006</b>	<u><u>\$ 1,818,010</u></u>

The accompanying notes are a part of the financial statements.

# Bear Creek Township

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## Proprietary Fund Statement of Cash Flows For The Year Ended March 31, 2006

	<u>Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Fees and services	\$ 1,097,580
Payments for goods and services	<u>443,147</u>
Net cash provided by operating activities	654,433
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Contribution by townships to defray interest and bond fee expenses	(149,920)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>12,974</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	517,487
 CASH AND CASH EQUIVALENTS, April 1, 2005	<u>288,382</u>
 CASH AND CASH EQUIVALENTS, March 31, 2006	<u><u>805,869</u></u>
 COMPONENTS OF CASH AND CASH EQUIVALENTS:	
Unrestricted	<u><u>\$ 805,869</u></u>
 RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 831,647
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in accounts receivable	(143,983)
Decrease in taxes receivable	4,319
Decrease in accounts payable and due to other units	<u>(37,550)</u>
Net cash provided by operating activities	<u><u>\$ 654,433</u></u>

The accompanying notes are a part of the financial statements.

# **Bear Creek Township**

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## **Fiduciary Fund Statement of Net Assets March 31, 2006**

### **Assets**

Cash

\$ 9,284

### **Liabilities**

Due to Other Funds

\$ 9,284

The accompanying notes are a part of the financial statements.

# **Bear Creek Township**

## **Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended March 31, 2006**

**Additions:**

Property Tax Collections to:

Primary Government

\$ 561,077

Other Governments

9,467,852

Component Unit

164,744

Interest Earnings

10,728

Total Additions

10,204,401**Deductions:**

Property Tax Distributions to:

Primary Government

694,385

Other Governments

9,467,852

Component Unit

164,744

Total Distributions

10,326,981**Change in Net Assets**(122,580)**Fiduciary Net Assets - April 1, 2005**131,908**Fiduciary Net Assets - March 31, 2006**\$ 9,328

The accompanying notes are a part of the financial statements.

# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Bear Creek Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Bear Creek Township.

#### **A. Reporting Entity**

The Township operates under a Board-Supervisor form of government and provides the following services: public safety (fire), building inspection, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has one component unit.

**Discretely Presented Component Units** - Bear Creek Township, in a joint venture with adjacent Springvale Township, created the Springvale – Bear Creek Sewage Disposal Authority for the purpose of providing a portion of each Township with a sewage collection system. Financing of the system included, in part, the issuance of Authority Bonds. Under the terms of a contractual agreement between the Townships and the Authority, the Townships have agreed to reimburse the Authority all debt service costs associated with the bond issue and the debt service costs are payable solely from such payments. Payments to the Authority are required annually on the first of each February in an amount equal to the bond interest, principal and service costs payable within the ensuing year.

The Townships have agreed to include in their annual property tax levy an amount sufficient to make the stipulated annual bond interest and principal payments. The full faith and credit of the Townships and an amount not exceeding 25 percent of the monies each unit receives annually as a return of state sales tax are pledged for payment of the debt service costs.

In addition, the Townships are responsible for billings to sewage customers located within their boundaries.



# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

The Township's share of the net income transferred to retained earnings and increase in net equity in the Springvale – Bear Creek Sewage Disposal Authority for the Authority's year end of December 31, 2005, have been recorded in the Township's Sewer Fund.

A copy of the separate audited financial statements of the Springvale – Bear Creek Sewage Disposal Authority may be obtained directly from the Bear Creek Treasurer, Division Road, Petoskey, Michigan 49770.

**Jointly Governed Organization** - The Township, in a joint venture with adjacent Resort Township, has formed the Resort – Bear Creek Townships' Volunteer Fire Department to better serve the area of these two townships with fire protection. The expenditures of the Fire Department are reimbursed by the two townships.

The financial statements of Resort – Bear Creek Townships' Volunteer Fire Department have been blended into these financial statements.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support services. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fire Operating Fund – The Fire Operating Fund accounts for all activities of the Township's fire department, except for the purchase of equipment.

# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

Building Inspection Fund – The Building Inspection Fund accounts for the activities of the building department.

Agency and Tax Collection Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Township also reports the following nonmajor governmental funds:

Liquor Control Fund – The Liquor Control Fund accounts for the activities of liquor control inspection within the Township.

Light District Fund – The Light District Fund accounts for the resources used for providing street lighting.

The Township reports the following major proprietary fund:

Sewer Fund – The Sewer Fund accounts for the activities of the sewage collection system.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### **Cash and Investments**

The Township's cash and cash equivalents are considered to be cash in bank, cash in savings, certificates of deposits and investments with original maturities of one year or less from date of acquisition.

#### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

#### **Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two

# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	5-10 years
Land Improvements	15 years
Building Improvements	20 years

### **Compensated Absences**

The Township has a vacation leave policy for its full time employees. The employees are required to use vacation time during the period allocated. Employees are not allowed to accumulate unused vacation leave.

### **Long-term Obligations**

As of March 31, 2006, the Township had no outstanding long-term debt from governmental activities.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates**

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 2 – STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY**

#### **Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance prior to April 1.
4. The budget is adopted at the total fund level on a basis consistent with generally accepted accounting principles. Budget amounts are as originally adopted, or as amended by the Township Board during the year.
5. Appropriations expire at the end of the fiscal year.

#### **Excess of Expenditures over Appropriations in Budgeted Funds**

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2006, the Township incurred expenditures in the General Fund, Fire Fund, and Building Inspection Fund in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
<b>General Fund</b>			
Legislative	\$ 225,600	\$ 271,440	\$ 45,840
Community & Economic Development	27,000	34,245	7,245
Public Works	504,000	516,150	12,150
Public Safety	2,000	2,833	833
Capital Outlay	10,000	85,657	75,657

# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **Fire Fund**

Capital Outlay	-	35,000	35,000
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### **Building Inspection Fund**

Legislative	12,700	13,486	786
General Government	7,400	12,693	5,293
Public Safety	138,000	157,590	19,590

### **Accumulated Fund Deficits**

The Bear Creek Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2006.

### **State Construction Code Act**

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2005	\$ 154,011
Current year building permit revenue	\$ 306,319
Interest revenue	695
Related Expenditures	<u>(183,769)</u>
Net surplus for the year ended March 31, 2006	<u>123,245</u>
Cumulative surplus at March 31, 2006	<u><u>\$ 277,256</u></u>

### **NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which

# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Cash in banks – At March 31, 2006 the carrying amount of the Township's deposits was \$2,459,211.

Investments – The carrying amount of the Township's investments as March 31, 2006 consisted of certificates of deposit totaling \$710,356.

The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$1,030,500 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$2,139,067 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The township may experience significant fluctuations in deposit balances during the year.

### **NOTE 4 – PROPERTY TAXES**

Property taxes attach as an enforceable lien (due and payable) on property upon levy. Taxes are levied in December and are payable from December through February 15. The Township bills and collects its own property taxes, as well as taxes for other governmental units. Collections of the other governmental units' taxes and remittances of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when levied.

The Township is permitted by state law, subject to State Headlee and Truth-in-Taxation provision, to levy taxes up to \$1.00 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and unlimited amounts for payment of principal and interest on general obligation long-term debt.

# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

The tax rates for the year ended March 31, 2006 were as follows:

<u>PURPOSE</u>	<u>RATE/ ASSESSED VALUATION</u>
Operations:	
General governmental operations (allocated)	0.9900 per \$1000
General governmental operations (voted)	0.9900 per \$1000
Fire protection	0.4950 per \$1000
Light District	0.3000 per \$1000

### **NOTE 5 – CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>Balance of April 1, 2005</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance of March 31, 2006</u>
Capital Assets not being depreciated				
Land	\$ 1,006,097	\$ -	\$ -	\$ 1,006,097
Capital Assets being depreciated				
Land improvements	43,657	-	-	43,657
Buildings	780,258	-	-	780,258
Building improvements	115,194	23,598	-	138,792
Equipment and furniture	424,367	4,610	-	428,977
Safety Equipment	890,535	92,649	-	983,184
Total capital assets being depreciated	2,254,011	120,857	-	2,374,868
Less: accumulated depreciation	<u>(971,337)</u>	<u>(129,390)</u>	<u>-</u>	<u>(1,100,727)</u>
Totals	<u>\$ 2,288,771</u>	<u>(8,533)</u>	<u>-</u>	<u>\$ 2,280,238</u>

Depreciation expense was charged to the Township's functions as follows:

	<b>Amount</b>
General Government	\$ 31,072
Public Safety	<u>98,318</u>
	<u>\$ 129,390</u>



# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

### **NOTE 6 – RECEIVABLES AND PAYABLES**

Receivables for the primary government at March 31, 2006 are as follows:

	<b>General Fund</b>	<b>Trust and Agency Fund</b>
Interfund Receivable	\$ 9,284	\$ -
Interfund Payable	-	9,284
	<u>\$ 9,284</u>	<u>\$ 9,284</u>

### **NOTE 7 – LONG-TERM DEBT**

The Township had no outstanding long-term debt for governmental activities as of the year-end March 31, 2006.

Component Unit:

The following is a summary of long-term debt transactions for the year ended December 31, 2005:

	<u>2005</u>
Long-term debt payable, beginning of year	\$ 360,000
Long-term debt retired	<u>70,000</u>
Long-term debt payable, end of year	<u>\$ 290,000</u>

Long-term debt consists of the following at December 31, 2005:

\$1,310,000 Series 1989 Refunding Bonds  
due in annual installments of \$65,000  
to \$95,000 plus interest of 7.500 to 7.625  
percent. The bonds mature on March 1, 2009. \$ 290,000

# **Bear Creek Township**

## **Notes To Financial Statements For The Year Ended March 31, 2006**

The annual requirements to amortize all debt outstanding as of December 31, 2005, including interest payments of \$47,494 are as follows:

<u>Year ending December 31</u>	
2006	84,513
2007	79,637
2008	74,722
2009	<u>98,622</u>
Total	<u>\$ 337,494</u>

### **NOTE 8 – FUND EQUITY RESERVATIONS AND DESIGNATIONS**

The General Fund balance has designated \$60,000 for a fire equipment sinking fund and \$135,000 for a parks and recreation sinking fund.

The Fire Fund has \$245,701 designated for public safety.

The Building Inspection has \$277,256 designated for public safety.

The Liquor Inspection Fund has \$104,564 designated for public safety.

The Light District Fund has \$6,726 designated for public safety.

### **NOTE 9 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and worker's compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

# **Bear Creek Township**

**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Revenues:</b>				
Taxes:				
Property tax collections	\$ 650,000	\$ 675,000	\$ 628,759	\$ (46,241)
Tax collection fees	110,000	119,100	100,813	(18,287)
Other tax collections	700	700	418	(282)
State Shared Revenues	357,000	357,000	363,743	6,743
Refunds	5,000	5,000	2,949	(2,051)
Other Income	10,000	5,000	4,811	(189)
Interest	10,000	15,000	59,888	44,888
	<u>1,142,700</u>	<u>1,176,800</u>	<u>1,161,381</u>	<u>(15,419)</u>
Total Revenues				
	<u>1,142,700</u>	<u>1,176,800</u>	<u>1,161,381</u>	<u>(15,419)</u>
<b>Expenditures:</b>				
<b>Legislative</b>				
Personal Services	33,600	37,600	35,872	(1,728)
Pension plan	12,000	12,000	10,940	(1,060)
Payroll taxes	22,000	22,000	11,191	(10,809)
Professional services	70,000	68,000	124,055	56,055
Insurance and bonds	12,000	12,000	12,629	629
Employee benefits	12,000	12,000	11,023	(977)
Printing and publishing	4,000	4,000	3,774	(226)
Travel	3,000	3,000	2,922	(78)
Misc.	59,000	55,000	59,034	4,034
	<u>227,600</u>	<u>225,600</u>	<u>271,440</u>	<u>45,840</u>
Total Legislative				
	<u>227,600</u>	<u>225,600</u>	<u>271,440</u>	<u>45,840</u>
<b>General Government</b>				
<b>Township Supervisor</b>				
Personal Services	10,500	10,500	10,500	-
<b>Township Assessor</b>				
Personal Services	46,000	46,000	46,833	833
Supplies	7,000	7,000	5,665	(1,335)
	<u>53,000</u>	<u>53,000</u>	<u>52,498</u>	<u>(502)</u>
Total Township Assessor				
	<u>53,000</u>	<u>53,000</u>	<u>52,498</u>	<u>(502)</u>

# **Bear Creek Township**

**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For Year Ended March 31, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
<b>Township Clerk</b>				
Personal Services	19,200	19,200	18,950	(250)
Supplies	1,000	1,000	816	(184)
Total Township Clerk	20,200	20,200	19,766	(434)
<b>Township Board of Review</b>	2,500	2,500	760	(1,740)
<b>Township Treasurer</b>				
Personal Services	20,000	20,000	20,000	-
Supplies	8,000	8,000	9,427	1,427
Total Township Treasurer	28,000	28,000	29,427	1,427
<b>Building &amp; Grounds</b>				
Personal Services	6,000	6,000	6,148	148
Communications	6,000	6,000	3,284	(2,716)
Utilities	11,000	11,000	7,973	(3,027)
Waste & Snow Removal	20,000	20,000	16,104	(3,896)
Spring cleanup	90,000	90,000	55,678	(34,322)
Maintenance	8,000	8,000	10,438	2,438
Other Wages	2,000	2,000	1,480	(520)
Misc.	500	500	587	87
Total Township Properties	143,500	143,500	101,692	(41,808)
<b>Total General Government</b>	257,700	257,700	214,643	(43,057)
<b>Community &amp; Economic Development</b>	69,500	27,000	34,245	7,245
<b>Recreation and Culture</b>	53,000	53,000	51,864	(1,136)
<b>Public Works</b>				
Improvements	500,000	500,000	514,739	14,739
Repairs and Maintenance	4,000	4,000	1,411	(2,589)
Total Public Works	504,000	504,000	516,150	12,150

# **Bear Creek Township**

**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For Year Ended March 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
<b>Public Safety</b>				
Personal Services	-	2,000	2,833	833
<b>Capital Outlay</b>				
Building Improvements	5,000	5,000	23,598	18,598
Equipment	5,000	5,000	4,610	(390)
Fire Equipment	-	-	57,449	57,449
Total Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>85,657</u>	<u>75,657</u>
Total Expenditures	<u>1,121,800</u>	<u>1,077,300</u>	<u>1,176,832</u>	<u>97,532</u>
<b>Net Change in Fund Balance</b>	20,900	99,500	(15,451)	(114,951)
<b>Fund Balance - April 1, 2005</b>	<u>1,815,233</u>	<u>1,815,233</u>	<u>1,815,233</u>	<u>-</u>
<b>Fund Balance - March 31, 2006</b>	<u>\$ 1,836,133</u>	<u>\$ 1,914,733</u>	<u>\$ 1,799,782</u>	<u>\$ (114,951)</u>

# Bear Creek Township

## Fire Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balance

### Budget and Actual

### For Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
<b>Revenues:</b>				
Taxes				
Property Taxes	\$ 155,000	\$ 165,000	\$ 153,837	\$ (11,163)
Contributions from Townships	-	-	59,315	59,315
Interest	-	-	364	364
Other	50,000	50,000	9,958	(40,042)
Total Revenues	205,000	215,000	223,474	48,516
<b>Expenditures:</b>				
<b>Public Safety</b>				
Operating Expense	174,120	432,708	216,358	(216,350)
<b>Capital Outlay</b>	-	-	35,200	35,200
Total Expenditures	174,120	432,708	251,558	(181,150)
<b>Net Change in Fund Balance</b>	(19,120)	(267,708)	(28,084)	239,624
<b>Fund Balance - April 1, 2005</b>	273,785	273,785	273,785	-
<b>Fund Balance - March 31, 2006</b>	<u>\$ 254,665</u>	<u>\$ 6,077</u>	<u>\$ 245,701</u>	<u>\$ 239,624</u>

# Bear Creek Township

## Building Inspection Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual For Year Ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Revenues:</b>				
Licenses and Permits	\$ 175,000	\$ 175,000	\$ 306,319	\$ 131,319
Interest	-	-	695	695
Total Revenues	175,000	175,000	307,014	132,014
<b>Expenditures:</b>				
<b>Legislative</b>				
Payroll Taxes	10,000	10,000	11,723	1,723
Employee Benefits	700	700	625	(75)
Travel Expenses	2,000	2,000	1,138	(862)
Total Legislative	12,700	12,700	13,486	786
<b>General Government</b>				
<b>Board of Review</b>	-	-	320	320
<b>Building &amp; Grounds</b>				
Maintenance	1,000	1,000	3,056	2,056
Communications	1,800	1,800	1,661	(139)
Utilities	3,500	3,500	4,047	547
Waste and Snow Removal	1,100	1,100	3,609	2,509
Total Township Hall	7,400	7,400	12,373	4,973
<b>Total General Government</b>	7,400	7,400	12,693	5,293
<b>Public Safety</b>				
<b>Building Inspector</b>				
Personal Services	120,000	120,000	140,653	20,653
Supplies	5,000	5,000	4,453	(547)
Secretary Wages	13,000	13,000	12,484	(516)
Total Public Safety	138,000	138,000	157,590	19,590
Total Expenditures	158,100	158,100	183,769	25,669
<b>Net Change in Fund Balance</b>	16,900	16,900	123,245	106,345
<b>Fund Balance - April 1, 2005</b>	154,011	154,011	154,011	-
<b>Fund Balance - March 31, 2006</b>	<u>\$ 170,911</u>	<u>\$ 170,911</u>	<u>\$ 277,256</u>	<u>\$ 106,345</u>

# **Bear Creek Township**

## **Other Supplemental Information Balance Sheet - Nonmajor Governmental Funds March 31, 2006**

<b><u>Assets</u></b>	<b><u>Liquor</u></b>	<b><u>Light District</u></b>	<b><u>Total</u></b>
Cash and Cash Equivalents	\$ 104,564	\$ 6,518	\$ 111,082
Taxes Receivable	-	684	684
Total Assets	<u>\$ 104,564</u>	<u>\$ 7,202</u>	<u>\$ 111,766</u>
 <b><u>Liabilities and Fund Equity</u></b>			
Liabilities:			
Accounts Payable	\$ -	\$ 476	\$ 476
Fund Balance:			
Designated	<u>104,564</u>	<u>6,726</u>	<u>111,290</u>
Total Fund Balance	<u>104,564</u>	<u>6,726</u>	<u>111,290</u>
Total Liabilities & Fund Equity	<u>\$ 104,564</u>	<u>\$ 7,202</u>	<u>\$ 111,766</u>



# **Bear Creek Township**

## **Other Supplemental Information Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For Year Ended March 31, 2006**

	<b>Liquor Fund</b>	<b>Light District Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Property Taxes	\$ -	\$ 7,001	\$ 7,001
Licenses and Permits	5,603	-	5,603
Interest Income	1,012	16	1,028
Total Revenues	6,615	7,017	13,632
<b>Expenditures:</b>			
<b>Public Safety</b>			
Liquor Inspector			
Personal Services	1,500	-	1,500
Supplies	147	-	147
Street Lighting	-	5,474	5,474
Total Expenditures	1,647	5,474	7,121
<b>Net Change in Fund Balance</b>	4,968	1,543	6,511
<b>Fund Balance - April 1, 2005</b>	99,596	5,183	104,779
<b>Fund Balance - March 31, 2006</b>	<u>\$ 104,564</u>	<u>\$ 6,726</u>	<u>\$ 111,290</u>

# Bear Creek Township

## Statement of Tax Levy and Collections March 31, 2006

	<b>Millage Rate</b>	<b>Adjusted Levy</b>	<b>Remitted Collections</b>	<b>Returned Delinquent</b>	<b>Balance Due Units</b>
Emmet County	7.0834	\$ 1,985,720	\$ 1,826,497	\$ 159,223	\$ -
Petoskey Public Schools	21.1600	4,503,319	4,093,753	409,566	-
Char-Emmet ISD	2.7062	899,518	817,801	81,717	-
North Central Michigan College	2.2954	763,936	694,652	69,284	-
Greenwood Cemetery	0.4700	156,404	142,230	14,174	-
SET	6.0000	1,971,620	1,895,923	75,697	-
Township:					
General	0.9485	654,698	605,593	49,105	-
Fire Fund	0.5000	164,744	24	164,720	-
Light District	0.3000	7,001	6,317	684	-
Tax Collection Fees	-	110,428	103,615	6,813	-
Delinquent Sewer	-	10,042	7,268	2,774	-
Interest Income	-	10,728	1,400	-	9,328
Total	<u>41.4635</u>	<u>\$ 11,238,158</u>	<u>\$ 10,193,673</u>	<u>\$ 1,033,757</u>	<u>\$ 9,328</u>
Percent of Levy Collected		<u>91%</u>			

MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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September 1, 2006

To the Township Board  
Bear Creek Township  
Petoskey, Michigan

We have audited the financial statements of Bear Creek Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Auditor's Responsibility**

We conducted our audit of the financial statements of Bear Creek Township in accordance with auditing standards accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances,

makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion"

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **Significant Accounting Policies**

The significant accounting policies are described in Note 1 to the financial statements.

### **Other Communications**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available for review.

## **Comments and Recommendations:**

### **Personal Property Taxes**

Audit procedures again revealed a significant amount of personal property taxes were unpaid as of February 15, 2006. Michigan property tax law doesn't allow personal property tax to be returned delinquent. The statutes do provide the township treasurer with legal means for collection. Subsequent to year end the Township increased collection efforts with good success. It is our recommendation the township treasurer use whatever means are available to collect these taxes.

### **Internal Controls, Compliance and Efficiency**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **Segregation of Duties**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Mason & Kammermann PC*  
Mason & Kammermann, P.C.  
Certified Public Accountants